

**HARDEE
FARMS
INTERNATIONAL
LTD.**

17th Annual Report
For The Fiscal Year
Ended
May 31
1975



HARDEE FARMS INTERNATIONAL LTD.

BOARD OF DIRECTORS

*D. E. Foyston	-	-	-	-	-	-	-	Toronto
C. H. Franklin	-	-	-	-	-	-	-	Toronto
**F. D. Lace	-	-	-	-	-	-	-	Toronto
*J. A. McKechnie	-	-	-	-	-	-	-	Toronto
E. R. S. McLaughlin	-	-	-	-	-	-	-	Oshawa
R. A. McNair	-	-	-	-	-	-	-	Toronto
R. P. Ritchie	-	-	-	-	-	-	-	Toronto
*D. L. Sinclair	-	-	-	-	-	-	-	Toronto
*A. W. Walker	-	-	-	-	-	-	-	Toronto

Audit Committee Chairman (**) and Members (*)

EXECUTIVE OFFICERS

C. H. Franklin	-	-	-	Chairman of the Board and Chief Executive Officer				
A. W. Walker	-	-	-	-	-	-	-	President
W. Ross Abbott	-	-	Vice President-Corporate Affairs, Secretary					
N. E. Collings	-	-	Vice President-Fresh Produce Operations					
D. E. Richards	-	Vice President-Western Ontario Operations						
R. W. McDannold	-	Vice President-Eastern Ontario Operations						
S. D. Somers	-	-	-	-	-	-	-	Treasurer

AUDITORS

Coopers & Lybrand - - - - - Toronto

SOLICITORS

Fasken & Calvin - - - - - Toronto

BANKERS

The Royal Bank of Canada
Canadian Imperial Bank of Commerce
The Bank of Montreal

STOCK LISTINGS

Toronto and Montreal Stock Exchanges

REGISTRAR AND TRANSFER AGENT

The Canada Trust Company - Toronto, Montreal
and Winnipeg

EXECUTIVE OFFICES

931 Yonge Street - - - - - Toronto



SEVEN YEAR REVIEW

OPERATING RESULTS

	1975	1974	1973	1972	1971	1970	1969
	\$	\$	\$	\$	\$	\$	\$
SALES—foodstuffs - - - - -	20,659,966	15,471,062	13,479,753	10,746,776	8,108,437	6,477,479	5,018,567
—dairy and snack - - - - -	—	5,731,274	7,578,438	4,946,740	—	—	—
	<u>20,659,966</u>	<u>21,202,336</u>	<u>21,058,191</u>	<u>15,693,516</u>	<u>8,108,437</u>	<u>6,477,479</u>	<u>5,018,567</u>
EARNINGS FOR THE YEAR BEFORE THE FOLLOWING - -	2,422,766	2,374,244	1,747,653	1,242,766	1,066,192	547,910	403,466
Depreciation - - - - -	439,963	421,313	387,162	319,675	169,836	106,812	81,131
Interest - - - - -	641,142	608,534	533,849	453,145	429,707	295,765	309,031
Income taxes - - - - -	606,800	600,000	325,000	210,000	238,500	83,000	—
Minority interest - - - - -	9,216	44,063	(12,738)	(70,973)	—	—	—
EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS	725,645	700,334	514,380	330,919	228,149	62,333	13,304
Extraordinary items—income taxes - - - - -	208,544	546,500	320,060	203,665	233,923	83,000	—
—other - - - - -	—	253,273	160,000	—	—	(10,688)	(303,364)
NET EARNINGS (LOSS) FOR THE YEAR - - - - -	<u>934,189</u>	<u>1,500,107</u>	<u>994,440</u>	<u>534,584</u>	<u>462,072</u>	<u>134,645</u>	<u>(290,060)</u>

FINANCIAL POSITION

Total assets - - - - -	18,569,154	16,381,360	15,206,985	14,786,868	10,860,912	10,325,477	8,488,053
Total liabilities - - - - -	11,171,480	9,923,125	10,249,532	12,016,145	6,119,379	6,064,516	4,947,232
	<u>7,397,674</u>	<u>6,458,235</u>	<u>4,957,453</u>	<u>2,770,723</u>	<u>4,471,533</u>	<u>4,260,961</u>	<u>3,540,821</u>
Preferred shares - - - - -	—	—	—	971,200	971,200	971,200	971,200
COMMON SHARE EQUITY - - - - -	<u>7,397,674</u>	<u>6,458,235</u>	<u>4,957,453</u>	<u>3,741,923</u>	<u>3,770,333</u>	<u>3,289,761</u>	<u>2,569,621</u>

PER SHARE

Earnings for the year before extraordinary items - - - - -	16¢	15¢	11¢	6¢	5¢	.6¢	.3¢
Net earnings (loss) for the year - - - - -	20¢	33¢	22¢	11¢	10¢	2¢	(7¢)
Book value - - - - -	\$1.61	\$1.40	\$1.08	91¢	92¢	80¢	63¢
Total shares outstanding - - - - -	4,608,678	4,603,178	4,602,728	4,128,436	4,115,102	4,090,435	4,076,436

The above summary reflects the consolidation of Federal Diversiplex Limited for all periods since the date of acquisition.



REPORT TO SHAREHOLDERS

The 1974-75 fiscal year was again a satisfactory one for the Hardee group of Companies.

By reference to the accompanying Consolidated Statement of Earnings it will be noted that sales of ongoing items increased by 34% during the year, and that Consolidated Earnings before extraordinary items amounted to \$725,645, or 16¢ per share, by comparison with \$700,334, or 15¢ per share for the preceding year.

Hardee has not previously paid income taxes because of recoveries from tax losses carried forward. Provision has been made in the 1975 figures for the initial payment of income taxes by Hardee in the amount of \$398,256 after deducting \$208,544 of tax reductions related to unclaimed write-offs from prior years. Attention is directed to Note 14 of the financial statements which sets out details regarding future tax reductions available to the Company and its subsidiaries.

As previously announced, Hardee has during the past fiscal year continued to increase its holdings in Federal Diversiplex Limited so that at May 31, 1975, 54% of the outstanding shares of that Company were owned. Accordingly, Federal's sales and other operating results for the year ending March 29, 1975 have been consolidated in the accompanying financial statements and figures for the preceding year, formerly reported on the equity basis, have been restated to conform to the presentation used in the current year.

In January, 1975 your Company acquired 65% of the outstanding voting shares of The Baxter Canning Co. Limited of Bloomfield, Ontario and the results of its operations have been consolidated from January 1, 1975, the effective date of acquisition, to its fiscal year-end, March 31, 1975.

Acquisition of control of The Baxter Canning Co. Limited adds new depth to your Company's activities. This geographical extension into Eastern Ontario gives balance to agricultural production which has previously been concentrated in Western and Central Ontario. The addition of canned vegetables as well as frozen items from that area extends the variety of your Company's processing activities so that Hardee and its subsidiary Companies can now offer a broad range of foodstuffs in many forms, including fresh-packaged produce, and a variety of pot-ready vegetables in fresh-peeled, canned, frozen, or freeze-dried forms.

In order to service continued strong demand for Hardee products the major frozen storage facility at Ingersoll was expanded by 50% during the past year. A substantial addition was also made to the Freeze-Dried Foods plant in Oakville, and a large raw potato storage addition was completed at Lambeth. New construction is currently in progress to improve production flows and to increase warehousing capacity at Baxter and some new processing equipment is being installed.

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ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Manitoba Room, of the Royal York Hotel, 100 Front Street West, Toronto, Ontario at 11:00 o'clock in the forenoon on Wednesday, September 17, 1975.

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Following extensive review it has been decided that Federal's main plant at Bradford should be vacated and leased or sold to others as Federal's basic vegetable packaging and processing activities represent an uneconomic use of that facility. Under this arrangement Federal should be able to more profitably maintain its present business volume using custom packaging services available in the Bradford area. Federal will continue its present business which includes farming operations, vacuum cooling of lettuce, the development of heat processed vegetables in flexible vacuum packages, wholesaling of fresh and/or peeled vegetables to the retail and institutional trades, and the retail and institutional beverage activities of the HONEYDEW Products Division.

As part of Federal's decision to sell or lease its main Bradford plant, your Company has indicated its willingness to purchase the equipment related to Federal's vegetable production operations for its independently appraised current fair market value of \$449,555, an amount which is \$37,156 greater than the net book value of such equipment at Federal's last fiscal year-end.

Your Company continues to pursue opportunities for the sale of new product lines. During the past year a full range of 43 freeze-dried and related recreational and emergency food items was introduced with excellent acceptance. Three new flavours of HONEYDEW drinks have been successfully brought to the Canadian market by Federal over the course of the past few months. The addition of several items to the range of vegetables frozen or canned under the Hardee or associated labels is planned for the current year.

Your Directors acknowledge with gratitude the services of Mr. Ralph E. Richards, founder of the Company's frozen vegetable division, who recently retired as a Vice President of the Company. In recognition of the geographic extension of agricultural activities, Mr. David E. Richards has been appointed Vice President—Western Ontario Operations, and Mr. Roy W. McDannold has been appointed Vice President—Eastern Ontario Operations. Mr. Norman E. Collings continues as Vice President—Fresh Produce Operations.

It is with sincere appreciation the Board of Directors acknowledge the support and co-operation of customers, management, and staff during the past year.

Respectfully submitted
on behalf of the Board

A handwritten signature in dark ink, appearing to read "C. H. Franklin", is positioned above the title of the Chairman and Chief Executive Officer.

Chairman and Chief Executive Officer

Toronto, Ontario
August 7, 1975

HARDEE FARMS INTERNATIONAL LTD.

CONSOLIDATED BALANCE SHEET AS AT MAY 31, 1975

ASSETS	1975	1974 (re-stated note 2)
	\$	\$
CURRENT ASSETS		
Accounts receivable - - - - -	2,403,606	1,726,191
Balance due on sale of dairy assets - - - - -	—	1,225,000
Inventories (notes 1 and 3) - - - - -	5,057,433	2,725,165
Current portion of mortgages and debenture receivable (note 4) - - -	71,648	73,322
Prepaid crop and other expenses (note 1) - - - - -	859,164	518,205
	<u>8,391,851</u>	<u>6,267,883</u>
MORTGAGES AND DEBENTURE RECEIVABLE (note 4) - - - - -	453,524	870,853
ASSETS HELD FOR SALE (note 5) - - - - -	1,000,000	1,651,742
FIXED ASSETS (notes 1 and 6) - - - - -	7,398,756	6,250,775
TRADEMARKS—HONEYDEW—at cost - - - - -	449,531	443,271
PRODUCT DEVELOPMENT COSTS (note 7) - - - - -	41,992	—
EXCESS OF PURCHASE PRICE OF SHARES OF SUBSIDIARIES OVER BOOK VALUE THEREOF - - - - -	833,500	896,836
	<u>18,569,154</u>	<u>16,381,360</u>

Signed on Behalf of the Board

C. H. FRANKLIN, *Director*

F. D. LACE, *Director*



LIABILITIES

	1975	1974 (re-stated note 2)
	\$	\$
CURRENT LIABILITIES		
Bank advances (note 8) - - - - -	3,802,062	2,742,553
Accounts payable and accrued liabilities - - - - -	1,800,990	1,481,626
Income taxes payable - - - - -	301,500	—
Current portion of long-term debt (note 9) - - - - -	423,971	324,936
	<u>6,328,523</u>	<u>4,549,115</u>
LONG-TERM DEBT (note 9) - - - - -	3,178,086	3,830,630
DEFERRED INCOME TAXES - - - - -	156,500	80,000
MINORITY INTEREST (note 10) - - - - -	1,508,371	1,463,380
	<u>11,171,480</u>	<u>9,923,125</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 11)

Authorized—

40,250 first preferred shares of the par value of \$100 each, issuable
in series

6,000,000 common shares of no par value

Issued and fully paid—

4,608,678 common shares (1974—4,603,178) - - - - - 3,886,641 | 3,881,391 |

RETAINED EARNINGS (note 12) - - - - -	3,511,033	2,576,844
	<u>7,397,674</u>	<u>6,458,235</u>
	<u>18,569,154</u>	<u>16,381,360</u>

HARDEE FARMS INTERNATIONAL LTD.**CONSOLIDATED STATEMENT OF EARNINGS**

For the year ended May 31, 1975

	1975 \$	1974 (re-stated) \$
SALES		
Foodstuffs - - - - -	20,659,966	15,471,062
Dairy and snack (discontinued operations) - - - - -	—	5,731,274
	<u>20,659,966</u>	<u>21,202,336</u>
COST OF SALES AND OTHER EXPENSES - - - - -	18,237,200	18,828,092
DEPRECIATION - - - - -	439,963	421,313
	<u>18,677,163</u>	<u>19,249,405</u>
EARNINGS FROM OPERATIONS BEFORE INTEREST - - - - -	1,982,803	1,952,931
INTEREST (note 9) - - - - -	641,142	608,534
EARNINGS FROM OPERATIONS BEFORE PROVISION FOR INCOME TAXES	<u>1,341,661</u>	<u>1,344,397</u>
PROVISION FOR INCOME TAXES		
Current - - - - -	530,300	565,000
Deferred - - - - -	76,500	35,000
	<u>606,800</u>	<u>600,000</u>
	734,861	744,397
MINORITY INTEREST IN EARNINGS OF SUBSIDIARIES - - - - -	9,216	44,063
EARNINGS FOR THE YEAR BEFORE EXTRAORDINARY ITEMS - - - - -	<u>725,645</u>	<u>700,334</u>
EXTRAORDINARY ITEMS (note 13) - - - - -	208,544	799,773
NET EARNINGS FOR THE YEAR - - - - -	<u>934,189</u>	<u>1,500,107</u>
PER COMMON SHARE		
Earnings for the year before extraordinary items - - - - -	16¢	15¢
Net earnings for the year - - - - -	20¢	33¢

Earnings per common share on a fully diluted basis are not significantly different from those reported above. The earnings per share have been calculated for 1975 on 4,606,293 shares and for 1974 on 4,602,993 shares.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended May 31, 1975

	1975 \$	1974 (re-stated) \$
RETAINED EARNINGS—BEGINNING OF YEAR - - - - -	2,576,844	1,076,737
Net earnings for the year - - - - -	<u>934,189</u>	<u>1,500,107</u>
RETAINED EARNINGS—END OF YEAR (note 12) - - - - -	<u>3,511,033</u>	<u>2,576,844</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended May 31, 1975

	1975 \$	1974 (re-stated) \$
SOURCE OF FUNDS		
Earnings for the year before extraordinary items - - - - -	725,645	700,334
Add: Depreciation and other items not requiring an outlay of funds -	504,202	312,513
	<u>1,229,847</u>	<u>1,012,847</u>
Reduction of income taxes on application of prior years' losses - - - -	208,544	546,500
Proceeds on disposal of fixed assets and assets held for sale - - - -	761,742	594,215
Reduction in mortgages and debenture receivable - - - - -	455,689	599,647
Long-term debt incurred - - - - -	1,135,000	100,000
Minority interest in net earnings of subsidiaries - - - - -	16,472	350,836
Sale of non-current assets (including goodwill of \$128,613) - - - -	—	666,213
Other - - - - -	5,250	45,000
	<u>3,812,544</u>	<u>3,915,258</u>
USE OF FUNDS		
Purchase of fixed assets - - - - -	1,282,796	738,559
Retirement of long-term debt—		
Algonquin Building Credits Limited - - - - -	1,106,230	520,000
Other - - - - -	835,314	825,145
Purchase of shares of The Baxter Canning Co. Limited - - - 523,900		
Working capital acquired at date of acquisition - - - - - 441,496		
Non-current assets acquired (note 2)- - - - -	82,404	—
Mortgage receivable from disposal of fixed assets and assets held for sale -	38,360	200,000
Purchase of minority interest shares of Federal Diversiplex Limited - - -	56,991	—
Trademarks and development costs - - - - -	48,252	—
Dividends paid by subsidiary company - - - - -	17,637	—
Purchase of HONEYDEW and goodwill - - - - -	—	478,466
Working capital deficiency on consolidation of Federal Diversiplex Limited	—	46,223
	<u>3,467,984</u>	<u>2,808,393</u>
INCREASE IN WORKING CAPITAL - - - - -	344,560	1,106,865
WORKING CAPITAL—BEGINNING OF YEAR - - - - -	1,718,768	611,903
WORKING CAPITAL—END OF YEAR - - - - -	<u>2,063,328</u>	<u>1,718,768</u>

HARDEE FARMS INTERNATIONAL LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended May 31, 1975

1. SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies followed by the companies are outlined below:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies in which Hardee Farms International Ltd. or its subsidiaries owned an equity interest in excess of 50% at the respective fiscal year ends with appropriate provision for minority interests. The results of all subsidiaries are included in these consolidated financial statements from the date of acquisition and are accounted for as purchases.

(b) Inventories

Inventories include foodstuffs and supplies which are valued at the lower of cost and net realizable value, and containers which are valued at cost, less amortization.

(c) Prepaid Crop Expenses

Crop expenses attributable to the current farm program are included in prepaid crop expenses.

(d) Fixed Assets

Fixed assets are depreciated on the basis of rates which are estimated to be sufficient to reduce the carrying value of the assets to residual value over their useful lives.

(e) Goodwill

Acquisition costs of each purchased subsidiary are allocated to that subsidiary's identifiable net assets on the basis of estimated fair values at the date of acquisition with any excess being carried as goodwill.

(f) Income Taxes

The companies follow the tax allocation method of providing for income taxes. Under this method timing differences between reported and taxable income result in deferred taxes.

(g) Foreign Exchange

Individual assets and liabilities in U.S. dollars have been stated at par, and an adjustment has been made in the accounts to give effect to the conversion of net current assets in U.S. dollars to Canadian dollars at the rate of exchange prevailing at the year-end.

2. ACQUISITIONS—ACCOUNTING TREATMENT

(a) Federal Diversiplex Limited

During the year the company increased its holdings in Federal Diversiplex Limited to 54% of the outstanding common shares of the company. Accordingly, the accounts of Federal for the year ended March 29, 1975 have been consolidated herein. Figures for 1974 have been re-stated to conform to the presentation used in the current year. The company previously accounted for its investment in Federal on the equity basis.

(b) The Baxter Canning Co. Limited

On January 1, 1975 the company acquired 64.73% of the outstanding shares of The Baxter Canning Co. Limited; accordingly the results of its operations have been included in earnings since that date. The following net assets were acquired for cash in this acquisition:

	\$
Assets at book value - - - - -	1,652,162
Less: Liabilities at book value - - - - -	<u>1,179,734</u>
	472,428
Minority interest in net assets - - - - -	<u>166,483</u>
	305,945
Excess of purchase price of shares over book value thereof attributed to depreciable assets -	<u>217,955</u>
Total consideration - - - - -	<u><u>523,900</u></u>

3. INVENTORIES

Inventories are classified as follows:

	1975 \$	1974 \$
Foodstuffs and supplies - - - - -	4,828,161	2,534,220
Automotive engines and supplies - - - - -	—	45,806
	<u>4,828,161</u>	<u>2,580,026</u>
Containers - - - - -	229,272	145,139
	<u>5,057,433</u>	<u>2,725,165</u>

The 1975 figures include the inventory of The Baxter Canning Co. Limited in the amount of \$1,362,893.

4. MORTGAGES AND DEBENTURE RECEIVABLE—AT COST

	Current \$	Long-term \$	Total 1975 \$	Total 1974 \$
10½%, due May 1981, payable \$10,000 principal and interest quarterly - - - - -	21,648	161,077	182,725	202,241
8%, due July 1, 1982, payable interest only to 1975 and payable \$28,471 principal and interest per annum thereafter - - - - -	—	200,000	200,000	200,000
Chattel mortgage, interest at 2% over prime, due July 1, 1977, payable \$3,300 principal and interest monthly	30,000	38,360	68,360	—
7¼% convertible sinking fund debenture, due December 16, 1976, payable \$20,000 per annum - - - - -	20,000	54,087	74,087	94,087
Sundry mortgages - - - - -	—	—	—	447,847
	<u>71,648</u>	<u>453,524</u>	<u>525,172</u>	<u>944,175</u>

The long-term portion includes \$200,000 in U.S. funds.

5. ASSETS HELD FOR SALE

Assets held for sale are as follows:

	\$
Land valued on basis of lease option outstanding - - - - -	400,000
Other lands (approximately 4,600 acres) at values assigned by the directors in 1971 - - -	600,000
	<u>1,000,000</u>

6. FIXED ASSETS

Fixed assets are as follows:

	1975 \$	1974 \$
Buildings and equipment—at cost - - - - -	10,700,285	8,550,169
Accumulated depreciation - - - - -	<u>4,974,883</u>	<u>3,978,621</u>
	5,725,402	4,571,548
Land - - - - -	<u>1,673,354</u>	<u>1,679,227</u>
	<u>7,398,756</u>	<u>6,250,775</u>

Two subsidiaries of the company have received forgivable loans from government agencies. As at May 31, 1975, \$210,000 remained to be forgiven over a period extending to 1978. Based upon the expectation that the operations for which the loans were obtained will continue as required, the amount of the loans have been applied as a reduction in the cost of the related plant and equipment.

7. PRODUCT DEVELOPMENT COSTS

Production development costs represent the net expenditures in the research and marketing of the Redi-Brand line of product. During the year the company received government assistance in the amount of \$68,299 which has been applied as a reduction in the amount shown on the balance sheet.

8. BANK ADVANCES

Bank advances are secured by a pledge of shares in subsidiaries, assignments of book debts and inventories and a \$3,500,000 debenture on the assets of the company.

9. LONG-TERM DEBT

	Current portion \$	Long-term portion \$	Total 1975 \$	Total 1974 \$
Bank loans at interest ranging from prime plus 1½% to prime plus 2% due between October 20, 1979 and August 15, 1983, payable \$268,752 per annum -	268,752	1,490,405	1,759,157	1,250,000
6% convertible notes due December 31, 1976 (note 11) -	—	711,555	711,555	712,305
Sundry mortgages and notes, at interest between 6% and 9.3%, due between June 15, 1975 and June 6, 1987, payable \$155,219 in 1976; \$298,696 in 1977; \$266,494 in 1978 and reducing amounts thereafter -	155,219	976,126	1,131,345	2,193,261
	<u>423,971</u>	<u>3,178,086</u>	<u>3,602,057</u>	<u>4,155,566</u>

Interest on long-term debt for the current year amounted to \$334,106.

10. MINORITY INTEREST

Minority interest is as follows:

	1975 \$	1974 \$
Federal Diversiplex Limited - - - - -	1,348,810	1,463,380
The Baxter Canning Co. Limited - - - - -	159,561	—
	<u>1,508,371</u>	<u>1,463,380</u>

11. CAPITAL STOCK

Of the authorized and unissued common shares, 474,870 shares are reserved for the 6% convertible notes exercisable at any time up to December 31, 1976 at \$1.50 per share. During the year 5,000 common shares were issued at 90¢ per share on the exercising of stock options, which terminated on August 27, 1974 and 500 common shares were issued at \$1.50 per share on the conversion of 6% notes.

12. RETAINED EARNINGS

Retained earnings represents the earnings of the company since the date of reorganization, May 27, 1972.

13. EXTRAORDINARY ITEMS

Extraordinary items include the following:

	1975 \$	1974 \$
Reduction of income taxes on application of prior years' losses - - - - -	215,800	565,000
Gain on sale of assets used in discontinued operations - - - - -	—	541,546
	<u>215,800</u>	<u>1,106,546</u>
Minority interest thereon - - - - -	7,256	306,773
	<u>208,544</u>	<u>799,773</u>

14. INCOME TAXES

The company can reduce income subject to taxes by approximately \$950,000 because of depreciation and other write-offs of fixed assets which have not yet been claimed for tax purposes. However, this amount can be claimed in future periods only to the extent that the maximum depreciation for tax purposes available in each year exceeds the depreciation recorded in the accounts.

In addition, Federal Diversiplex Limited, a subsidiary, can reduce income subject to taxes by approximately \$746,000. Of this amount \$299,000 of loss carry forwards expire in various years to 1979. The remaining \$447,000 arises because of depreciation of fixed assets which has not yet been claimed for tax purposes.

The Baxter Canning Co. Limited, another subsidiary, can reduce income subject to taxes by approximately \$156,000 because of depreciation of fixed assets which has not yet been claimed for tax purposes.

The potential future tax savings of these amounts have not been reflected in the accounts.

15. REMUNERATION OF DIRECTORS AND OFFICERS

	1975	1974
Number of directors - - - - -	9	9
Aggregate remuneration as directors - - - - -	\$ 8,100	\$ 2,000
Number of officers - - - - -	7	6
Aggregate remuneration as officers - - - - -	\$170,900	\$147,600
Number of directors who are also officers - - - - -	2	2



AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Hardee Farms International Ltd. as at May 31, 1975 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at May 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year as restated.

COOPERS & LYBRAND
Chartered Accountants

Toronto, Canada
July 16, 1975

THE BAXTER CANNING CO. LIMITED



Baxter Silver Ribbon Products

Canning Plant—
Bloomfield, Ontario





Baxter Warehouse Addition

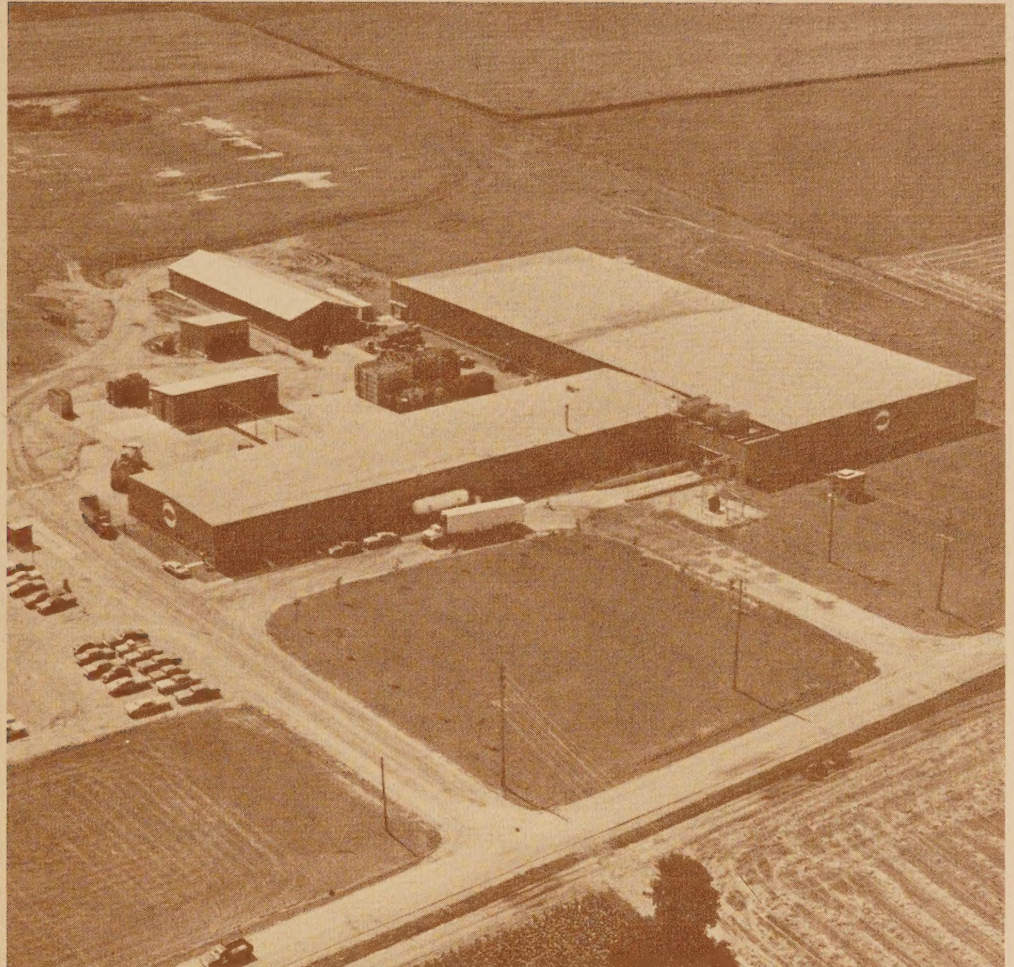


Baxter Processing
Equipment

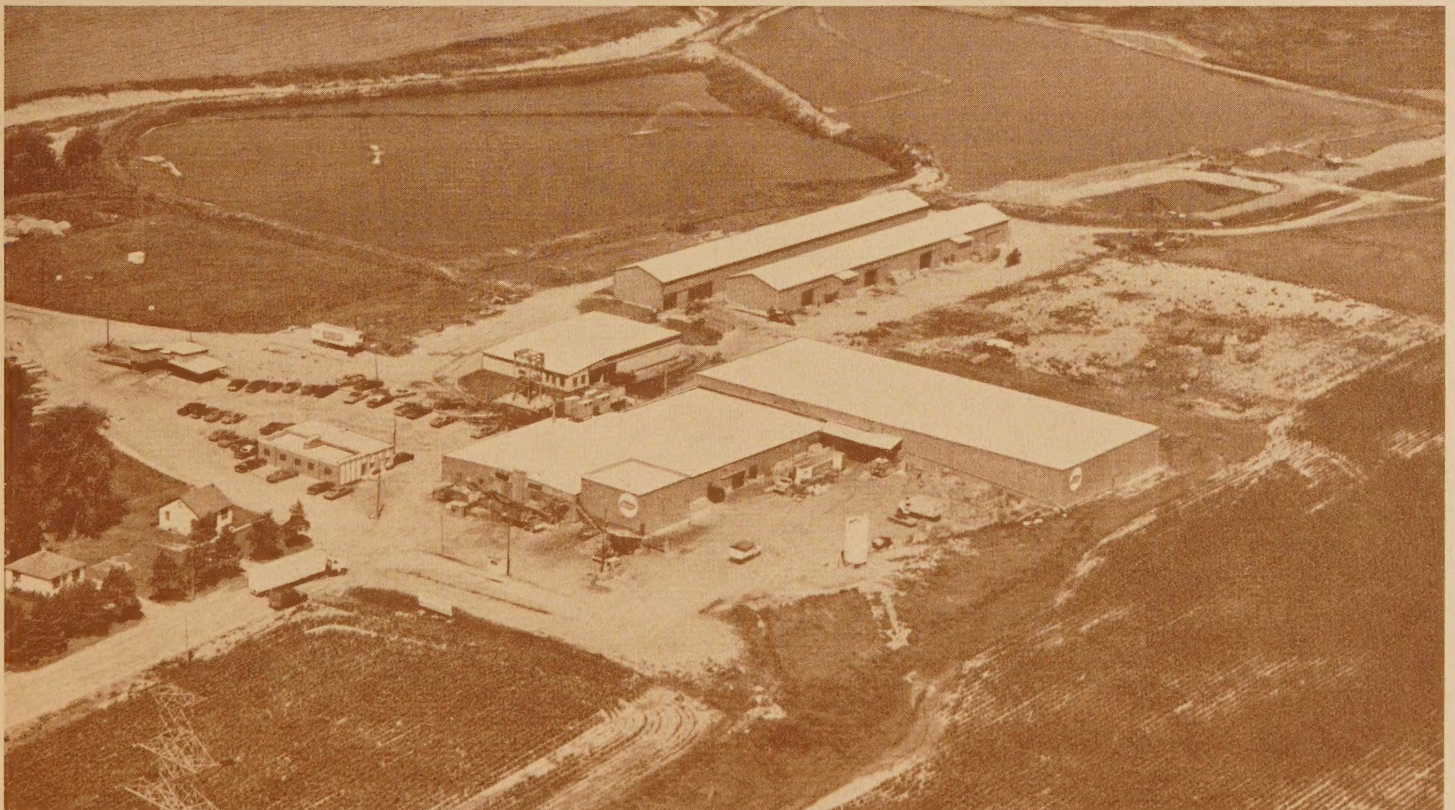


Corn Harvesting

Freezing Plant—
Ingersoll, Ontario



Freezing Plant—
Lambeth, Ontario





Some of the 43 items included in the new freeze-dried recreational foods line



One of the eleven HONEYDEW
booths at the 1975 Canadian
National Exhibition

